



for Retirees

Montana Public Employee Retirement Administration (MPERA)

January 2008

This annual newsletter provides information for retired members of the following retirement systems administered by the Montana Public Employees' Retirement Board (PERB):

- Public Employees' (PERS)
- Highway Patrol Officers' (HPORS)
- Game Wardens' and Peace Officers' (GWPORS)
- Firefighters' Unified (FURS)
- Judges' (JRS)
- Sheriffs' (SRS)
- Municipal Police Officers' (MPORS)
- Volunteer Firefighters' Compensation Act (VFCA)

A Message From the Executive Director

by Roxanne Minnehan



Dear Valued Retiree,

Another calendar year has come and gone. I hope you enjoyed the holidays and are making plans for the New Year. While planning, don't forget to review and update the information regarding your retirement benefit.

- Is your benefit payment directly deposited into your bank account?
- Has your tax situation changed?
- Does MPERA have your current address?
- Have you informed MPERA of a change in beneficiary or contingent annuitant?
- Does your family know how to contact us?

Information regarding most of these questions is available on our website at <http://mpera.mt.gov>. Or, you can contact our office. We are always happy to assist.

Governor Schweitzer has appointed a new member to the Public Employees'

Retirement Board – Ray Peck. Mr. Peck resides in Helena, is a former legislator and also a retiree of the Public Employees' Retirement System. He replaces Elizabeth Nedrow. We look forward to working with Mr. Peck.

We are happy to report all the retirement systems are actuarially sound, primarily due to the investment returns of the past fiscal year, which averaged 17.92%, and the statutory amendments to the Public Employees', Game Wardens' and Peace Officers' and Sheriffs' Retirement Systems. Those amendments were summarized in MPERA's June 2007 newsletter, also available on our website.

The Public Employees' Retirement Board and the staff at MPERA have a reputation of providing quality service while keeping the systems actuarially sound. Please let us know if you have any questions.

Best wishes for a happy and healthy New Year. ♦

Brian Schweitzer,
Governor
Public Employees'
Retirement Board

Jay Klawon
President

John Paull
Vice-President

Robert Griffith

Troy W. McGee

John Nielsen

Ray Peck

Terrence Smith



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*Should any information in
this newsletter conflict with
statute or rules, the statute or
rules will apply.*

Understanding Your 1099-R

MPERA mails your 1099-R tax distribution form each January. You will need this form to file your income tax return. The 1099-R provides the following information for the 2007 calendar year:

- Total gross distributions (the gross amount you received from MPERA in 2007)
- Total taxable amount; and
- Taxes withheld.

The graphic below outlines important sections of your 1099-R form. If you have questions regarding your form, contact your tax advisor.

Box 1

The total amount paid to you by MPERA for the calendar year.

Box 2a

The portion of your total benefit received during the calendar year that should be considered taxable income.

Box 4

The total amount of federal income tax (FIT) withheld during the calendar year.

Box 5

Taxed contributions or investment in contract (after-tax contributions).

Form 1099-R <input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119
1 Gross distribution	2a Taxable amount	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
\$	\$	
2b Taxable amount not determined	Total distribution	
PAYER'S name, street address, city, state, and ZIP code		
PUBLIC EMPLOYEES RETIREMENT BOARD 100 N PARK AVE STE 200 P.O. BOX 200131 HELENA, MT 59620-0131		
PAYER'S Federal identification number		RECIPIENT'S identification number
81-6001666		
3 Capital gain (included in box 2a)	4 Federal income tax withheld	5 Employee contributions or insurance premiums
\$	\$	\$
6 Net unrealized appreciation in employer's securities	7 Distribution code(s)	8 Other
\$	IRA/SEP/SIMPLE	%
9a Your percentage of total distribution	9b Total employee contributions	Insurance Premium Paid
%	\$	\$
RECIPIENT'S name and Street address (including apt. no.) city, state, zip code		
Account number (optional)		10 State tax withheld
		\$
11 State/Payer's state number		12 State distribution
MT 4053531002WTH		\$
13 Local tax withheld	14 Name of locality	15 Local distribution
\$		\$
File this copy with your state, city, or local income tax return, when required.		
Department of the Treasury Internal Revenue Service		

Contact Information

Internal Revenue Service

Phone (800) 829-1040

www.irs.gov

Montana Department of Revenue

Phone (406) 444-6900

www.mt.gov/revenue

Box 7

Code identifying the type of benefit being paid—normal, disability, death, etc. Codes are listed on the back of Copy B and C.

Insurance Premium Paid

Total health insurance premiums deducted from benefit payments during calendar year.

Account Number (optional)
MPERA Retirement number.

Box 10

The total amount of Montana state income tax (SIT) withheld during the calendar year.



Going Back to Work?

Many retirees go back to work because they miss having a job or they want extra income. If you work for a private company or a public employer not affiliated with the MPERA, there are no limitations on the amount of time you may work. Your retirement benefit will not be affected. The only exception is for some disability retirees.

If you retired from and return to work in a position covered by the Public Employees' Retirement System (PERS), the Sheriffs' Retirement System (SRS) or the Firefighters' Unified Retirement System (FURS), you may return to work subject to the following limitations:

- √ **PERS** working retirees are limited to 960 hours in any calendar year.
 - If the 960 hour limit is exceeded for retirees under age 65, the monthly retirement benefit will be reduced \$1 for each \$1 earned.
- √ **SRS** working retirees are limited to 480 hours in any calendar year. The previous 60 day limit was changed to 480 hours effective October 1, 2007.
 - If the 480 hour limit is exceeded, your monthly retirement benefit will be reduced \$1 for each \$3 earned in excess of \$5,000 per calendar year.
- √ **FURS** working retirees are limited to 480 hours in any calendar year. This change became effective July 1, 2007.
 - If the 480 hour limit is exceeded, you must return to active service

Working retirees for the above systems **must** complete a "Working Retiree Certification" form each month. The form is available through employers and requires both the retiree and employer signature.

The other MPERA-administered systems do not contain provisions for working retirees.

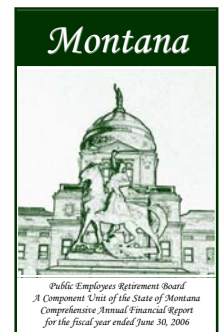
Note: Retirees who return to public service through a professional arrangement, a leased employee arrangement, or as a temporary service contractor are also subject to the working retiree limitations.

We've Done It Again!

MPERA Has Received The Certificate Of Achievement For Excellence In Financial Reporting

The Montana Public Employees' Retirement Board's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for the ninth consecutive year. The Certificate of Achievement is the highest form of recognition in state and local government financial reporting. To receive this award, a government must publish an easily readable and efficiently organized CAFR and must satisfy both generally ac-

cepted accounting principles and applicable legal requirements. The GFOA presented the award to **Barbara Quinn**, Fiscal Services Bureau Chief. The CAFR requires significant time, skill, attention to detail, and the dedication of the accounting supervisor **Diann Levandowski**, and the accounting staff **Donna Bley** and **Lenore Hardie**. ♦



You may use the following form to change your address and request a Direct Deposit Agreement. ♦

Place in an envelope and mail to: MPERA, PO BOX 200131, HELENA MT 59620-0131

Pension Protection Act and Public Safety Officers

The United States Congress passed the Pension Protection Act of 2006 (PPA). The PPA provides potential changes to the taxability of insurance premiums for certain public safety officer retirees.

Eligible retirees may deduct up to \$3,000 from their taxes for any health insurance or long term care insurance premium deducted from their retirement check. The tax deduction does not apply if the premiums were paid from another source (i.e. checking/savings accounts). An eligible retiree receives only one \$3,000 deduction per year. This deduction is not

available to a surviving spouse.

The IRS first interpreted the PPA to prevent this deduction from applying if the premiums were paid to a self-insured plan. The IRS has since reversed that interpretation and has indicated it will allow the deduction even if the premiums were paid to a self-insured plan. Retirees who believe they may be eligible to take this deduction should discuss the issue with their tax professional.

Note: Your 1099-R indicates the amount of insurance premiums paid (see illustration page 2).■

Meeting the Highest Standards

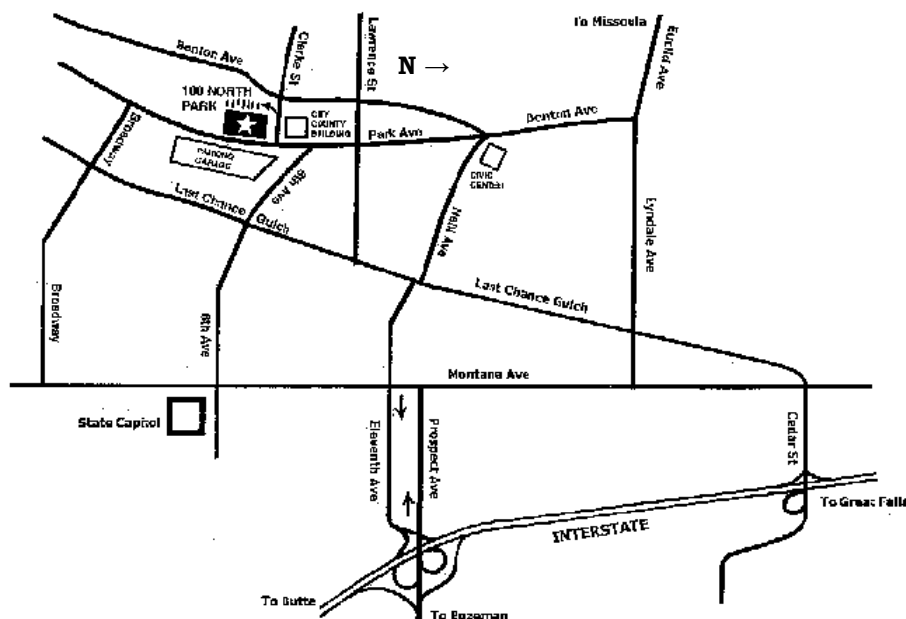
The Public Pension Coordinating Council has awarded the Public Employee Retirement Board for professional standards of plan design and administration as set forth in the Public Pension Standards.

Public Pension Standards were established in 2002 to reflect minimum expectations for public retirement system management and administration. The Standards serve as a benchmark by which to measure public defined benefit plans. All public retirement systems and the state and local governments that sponsor them are encouraged to meet the Standards. There are

six criteria that must be met in order to qualify for this award.

- Provide a comprehensive benefit program,
- Adequate funding,
- Biennial actuarial valuations,
- Independent audits,
- Written investment policies and fiduciary standards and
- Communication with members.

This is the third time MPERA has received this award.



Check out our web site: <http://mpera.mt.gov/>

Updating Your Contingent Annuitant Information

Retirees of the Public Employees', the Judges', the Sheriffs' and the Game Wardens' and Peace Officers' Retirement Systems may elect to receive any of the following payment options:

- A retirement benefit for their life (option 1)
- A retirement benefit for their life and the life of another (options 2 and 3)
- A retirement benefit for their life with a guaranteed minimum of either 10 or 20 years (option 4).

If you elected option 2, 3 or 4, you have named a "contingent annuitant" which is the person entitled to receive a continuing benefit in the event of your death.

It is important that MPERA be kept apprised of your contingent annuitant's whereabouts so we can locate him or her in the event of your death. Please remember to provide updated address information for your contingent annuitant as necessary.

If you elected option 2 or 3 and subsequently divorce from your contingent annuitant, or your contingent annuitant predeceases you, please contact MPERA regarding your options. If you elected option 4 and your contingent annuitant[s] predecease you, you should contact MPERA to name a new contingent annuitant. Otherwise, benefits will be paid to your estate if you pass away before the 10 or 20-year period.

Retirement Qualifications

Remember, the following qualifications must occur before you can retire:

1. Termination of employment;
2. Receipt/payment of all compensation due including sick, annual or compensatory time;
3. A 30-day break in service;
4. Receipt of at least one retirement check; and
5. You may not have an existing arrangement to return to work.

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